

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 LAB-04 SIL-01 OMB-01 AGRE-00 NSC-05 SS-15

STR-06 CEA-01 INT-05 ABF-01 CU-06 FSE-00 OPR-02

DODE-00 PA-02 PRS-01 /113 W

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC 8327

UNCLAS LIMA 502

EO 11652: N/A

TAGS: EALR, EFIN, ECON, PE

SUBJ: LIMA CONSUMER PRICE INDEX - DECEMBER 1977

REF: 77 LIMA 10934, LIMA 0473

1. THE CONSUMER PRICE INDEX (CPI) FOR THE GREATER LIMA AREA FOR THE MONTH OF DECEMBER, PUBLISHED RECENTLY, INDICATES A 32.44 PERCENT INCREASE FOR THE CPI SINCE DECEMBER 1976. THE PERCENTAGE INCREASES SINCE DECEMBER 1976 BY COMPONENTS ARE 32.96 FOR FOODSTUFFS AND BEVERAGES, 24.65 FOR HOUSING AND HOUSEHOLD GOODS, 29.51 PERCENT FOR CLOTHING, AND 38.26 FOR MISCELLANEOUS. THE MONTHLY RATES OF INCREASE IN THE CPI SINCE THE 7.28 INCREASE OF JUNE 1977, HAVE BEEN AS FOLLOWS: 2.87 PERCENT IN JULY, 2.76 PERCENT IN AUGUST, 1.51 PERCENT IN SEPTEMBER, 1.05 IN OCTOBER, 1.47 PERCENT IN NOVEMBER, AND 1.09 IN DECEMBER. FOR THE TWELVE-MONTH PERIOD ENDING DECEMBER 1977, THE CPI HAS INCREASED AT AN AVERAGE MONTHLY RATE OF 2.4 PERCENT PER MONTH.

2. THE YEARLY AVERAGE CPI NUMBER FOR 1977 IS 266.27, AS COMPARED WITH CPI NUMBER FOR 1976 OF 192.89 (1973 - 100.00). THE PERCENTAGE INCREASES IN THE ANNUAL CPI NUMBERS FOR RECENT YEARS ARE AS FOLLOWS: 1973 (9.52 PERCENT), 1974 (16.87 PERCENT), 1975 (23.64 PERCENT), 1976 (33.49 PERCENT) AND 1977 (38.04 PERCENT).

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PERCENT), 1976 (33.49 PERCENT) AND 1977 (38.04 PERCENT).

3. COMMENT: THE MILD INCREASE IN THE CPI IN DECEMBER 1977 BRINGS THE DECEMBER-TO-DECEMBER INCREASE TO 32.5 PERCENT, WHICH IS LESS THAN THE 40.0 PERCENT INCREASE PROJECTED BY THE NATIONAL STATISTICAL INSTITUTE (INCLUDED IN THE OCTOBER 10, 1977 PUBLIC PRESENTATION OF THE MINISTER OF ECONOMY AND FINANCE). THE FIXED

EXCHANGE RATE (\$/.80.88 TO U.S. DOLLAR) FROM JULY 7 TO OCTOBER 10 WAS A CONTRIBUTING FACTOR IN REDUCING THE PACE OF INCREASE IN THE CPI. PERFORMANCE OF CPI DURING SECOND HALF OF 1977 ALSO CONFORMS TO THE 1976 EXPERIENCE WITH A SUBSTANTIALLY HIGHER RATE OF INCREASE IN CPI FOLLOWING CLOSELY UPON INCREASES IN PRINCIPAL FOODSTUFF PRICES, TRANSPORTATION CHARGES, AND WAGES, AND DAMPENING SUBSTANTIALLY AFTER APPROXIMATELY THREE MONTHS. DUE TO THE NEW ROUND OF WAGE-PRICE INCREASES ANNOUNCED BY GOP ON JANUARY 13, 1978, THE RATE OF INCREASE IN CPI IN MONTHS OF JANUARY AND FEBRUARY 1978 WILL UNDOUBTEDLY EXCEED RATES OF INCREASE REGISTERED DURING LAST FIVE MONTHS OF 1977.

SHLAUDEMAN

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